

**Annual Cost Report BM-64**

All facilities must file an annual cost report BM-64 on a calendar year. The report format is determined by the Center for Adult Health's Rate Setting Unit and must be filed on or before March 31 following the close of the year.

Newly constructed facilities will be allowed a temporary rate subject to the submission to the Chief Long Term Care Reimbursement of a BM-64 cost report covering a six-month period from the beginning of operations. The rate will be determined in the manner described for all other facilities under these principles and subject to the same ceilings.

The report must be completed in accordance with generally accepted accounting principles and prepared on the accrual basis of accounting wherein both revenues and expenditures are recognized in the period when earned or incurred regardless of when actual cash payments are made and received.

Providers who do not submit the BM-64 on time without written authorized extension from the Rate Setting Unit will be assigned a non-recoverable reduction of 20 percent of the previously assigned rate. Such rate reduction will continue on a month-to-month basis until said BM-64 is submitted or facility is terminated from the program for failure to file BM-64 report within six months from the close of the reporting year.

A final BM-64 must be filed within 90 days after a change in ownership, closing of the facility or when the provider leaves the Medicaid program.

**ADMISSION POLICY**

Participating Nursing Facilities must admit Title XIX patients to all parts of the

facility without discrimination in accordance with the provisions of Section 23-17.5-19 and 23-27.5-21 of the Rhode Island General Laws based solely upon specialized medical and related needs of the patient. In addition, as provided in Section 23-17.5-24 of the Rhode Island General Laws, patients shall have the right to remain in a facility after the depletion of private funds.

### **PARTICIPATION AND PAYMENTS**

Facilities and at least 25% of all their nursing facility beds must be dually certified for participation in both the Federal Medicare - Title XVIII Program and the Rhode Island Medical Assistance - Medicaid Title XIX Program on and after October 1, 1990. Ideally all nursing facility beds should be dually certified.

The Director of the Department of Human Services may waive the requirement for Medicare certification upon his or her determination, upon consultation with the director of the state surveying agency, that: (1) there is an imminent peril to public health, safety or welfare; and/or (2) it is in the best interest of the state and the residents of the facility.

### **METHOD FOR DETERMINING COST CENTER CEILINGS**

**NOTE:** Effective for October 1, 2003, there is a continuation of the calculation of the ceilings for two cost centers. This calculation will continue until September 30, 2005 for the Management and All Other Cost Centers.

On September 1, 2004, the Other Property Related Cost Center will be replaced by the Fair Rental Value System in the Property Cost Center, Reimbursement for that cost center will be such that a ceiling will not be calculated. Effective October 1, 2005, ceilings for the Management and All Other Cost Center will be replaced by a ceiling for the Other Operating Cost Center. The Other Operating Cost Center ceiling will be established by the Department between ninety percent (90%) and one hundred fifteen percent (115%) of the median for facilities for the most current array year.

BM-64 Cost Reports for calendar year 1991 for all certified and participating nursing facilities in continuous operation from January 1, 1991 through December 31, 1991, will be grouped into one level of care category and allowable cost per diems will be arrayed in descending order into the following two cost center per diem groupings: (a) All Other Expenses, and (b) Management Related Expenses. The appropriate percentiles as specified below will then be applied to this arrayed data and will be increased by the annual percentage adjustment recognized by the Rate Setting Unit of the Department of Human Services for rate years 1992 and 1993 and each subsequent July 1 beginning with the percentage adjustment recognized July 1, 1994,

BM-64 Cost Reports for the calendar year 2002 for all certified and participating nursing facilities (except for the Hospital Based Skilled Nursing Facilities) will be grouped and allowable cost per diems will be arrayed in descending order into the Direct Labor Cost Center. The appropriate percentile, 125% of the median for Direct Labor, will be applied to the arrayed data and will be increased by the percentage adjustment recognized by the Rate Setting Unit of the Department of Human Services effective July 1, 2003 and

then each subsequent October 1<sup>st</sup>. Costs in the Direct Labor Cost Center will be arrayed every three years, the next array year being calendar year 2005 to establish a new maximum effective October 1, 2006.

The Pass Through Cost Center is such that a ceiling maximum is not calculated.

a. **Pass Through Items:**

This cost center grouping will include allowable costs reported in all account numbers as listed in Appendix 'E' – Chart of Accounts. Costs will be allowed without regard to a ceiling maximum. Each facility will report in Account No. 8470 the expenditure for the Health Care Provider Assessment. The costs in this item attributable to program revenue received will be fully recognized for reimbursement through an add-on to the per diem rate equal to the Health Care Provider Assessment as compounded.

b. **Direct Labor:**

This cost center grouping will include allowable costs in all account numbers as listed in Appendix 'E' – Chart of Accounts. Costs will be allowed up to a ceiling maximum of 125% of the median of the costs of all facilities arrayed.

Nursing facilities whose allowable 2002 direct labor costs are below the median in the direct labor cost center may make application to the Department's Rate Setting and Auditing Unit for a direct labor cost interim payment adjustment equal to twenty-five (25%) of the amount such allowable 2002 direct labor costs are below the median. This interim payment adjustment will be granted on or after October 1, 2003. The interim payment adjustment must be expended on expenses allowable within the direct labor cost center

and any portion of the interim payment not expended on allowable direct labor cost center expenses will be subject to retroactive adjustment and recoupment by the Department. The Department will determine the final direct labor payment adjustment after review of the facility's actual direct labor expenditures. The final direct labor payment adjustment will be included in the facility's October 1, 2004 rate until the facility's next base year.

**c. All Other Expenses:**

**NOTE:** This cost center grouping will be combined with the Management cost center group effective October 1, 2005 to form the Other Operating cost center. A ceiling maximum at that time will be established by the Department between ninety percent (90%) and one hundred fifteen percent (115%) of the median for all facilities for the most recent array year.

This cost center grouping will include all other allowable costs not specifically covered by grouping a, b, d Costs will be allowed up to a ceiling maximum of the 80th percentile of the cost of all facilities arrayed until October 1, 2005.

**d. Management Related Expenses:**

**NOTE:** This cost center grouping will be combined with the All Other Expenses cost center group effective October 1, 2005 to form the Other Operating cost center. A ceiling maximum at that time will be established by the Department between ninety percent (90%) and one hundred fifteen percent (115%) of the median for all facilities

for the most recent array year.

This cost center grouping will include all allowable costs reported in Accounts No. 7411-Administrator, 7412 - Officers/Owners, 7421 - Other Administrative Salaries, 7431 - Health Care Plan (Employer's share-portion attributable to personnel included within this cost center), 7432 - Other Employee Fringe Benefits (portion attributable to personnel included within this cost center), 7433 - Home Office/Central Services (portion attributable to labor and payroll-related expenses), 7435 - Computer Payroll/Data Processing Charges, 7436 - Accounting/Auditing Fees, 7437 - Legal Services, 7440 - Payroll Taxes (portion attributable to personnel included within this cost center), 7442 - Insurance (Workers Compensation, group life, pension and retirement-portion attributable to personnel included within this cost center), 7444A -Utilization Review Medicaid Title XIX, 7449A - Miscellaneous Management Related, 7523 - Dietary Consultant, 7712 - Pharmacists Salaries/Fee and effective September 1, 1996 cost will be allowed up to a ceiling maximum of the 80th percentile of the cost of all facilities until October 1, 2005.

#### **METHOD OF DETERMINING INDIVIDUAL PROSPECTIVE RATES**

**Note:** Due to the changes to the Principles of Reimbursement effective October 1, 2003, certain rate calculations remain in effect until October 1, 2005. This applies to the Other Property Related Cost Center, (until September 1, 2004), All Other Cost Center and Management Cost Center. These calculations are listed in numbers 1 through 5.

1. Each facility in operation during calendar year 1991 shall have its base year established in accordance with 'Appendix A' Audit Scheduling for all cost centers described in a., b., c., d above. Any facility commencing operation subsequent to calendar year 1991, shall have its first six months of operation as its base period.

2. Effective July 1, 1993, each facility will be assigned interim prospective rates utilizing the facility's base year BM-64 cost report adjusted by the percentage change in the National Nursing Home Input Price Index recognized by the Rate Setting Unit of the Department of Human Services for rate years subsequent to the audited year up to and including rate year 1993 and in lieu of the application of the percentage increase for the rate year July 1, 1996 through June 30 1997 there shall be an additional price index adjustment of nine-tenths of one percent (.9%) effective July 1, 1999 and subject to cost center maximums described in c., d., above. The interim prospective per diem rate will be adjusted, if necessary, through results of an audit of base year costs.

3. An additional interim per diem rate will be calculated and added to each nursing facility rate to recognize reimbursement for expenditure in account #8470 Health Care Provider Assessment for Rhode Island Medical Assistance Program revenue.

4. Starting with the reporting year 1991 and with every reporting year thereafter, one-third of the participating facilities will have a new base year. The prospective rate of each facility with a new base year will be recalculated after the completion of an audit and will be effective July 1 of the year subsequent to the year in which the audit was scheduled. The recalculated rate will reflect the actual allowable costs as determined by the audit updated by the National Nursing Home Input Price Index percentage increase(s)

for the year(s) subsequent to the audited year, and in lieu of the application of the percentage increase for the rate year July 1, 1996 through June 30 1997 there shall be an additional price index adjustment of nine-tenths of one percent (.9%) effective July 1, 1999, to produce the prospective rate; provided, however, that the new prospective rate does not exceed the maximum rates established for each cost center ceiling.

5. Commencing with the State fiscal year beginning July 1, 1994 and each State fiscal year thereafter, excluding however the rate year July 1, 1996 through June 30, 1997, the annual percentage increase will be applied to all cost centers determine new cost center ceilings. Commencing July 1, 1994, excluding however the rate year July 1, 1996 through June 30, 1997, individual facility cost center rates will be adjusted annually by the amount of percentage change in the National Nursing Home Input Price Index for the twelve (12) month period ending the previous March. The amount of percentage change to be utilized will be the index as projected by the Centers for Medicare and Medicaid Services on the first date it is available in the month of May each year. Although the index may be obtained initially by telephone, it will be confirmed in writing.

6. Effective October 1, 2003 for the Direct Labor and Pass Through Items Cost Center, each facility will be assigned interim prospective rates utilizing the facility's base year 2002 BM-64 Cost Report adjusted by the percentage change in the National Nursing Home Input Price Index recognized by the Rate Setting Unit of the Department of Human Services for rate years subsequent to the base year. Each facility will have a new interim rate assigned each October 1<sup>st</sup> in these two (2) cost centers, based on the immediate prior calendar year cost report, increased by the recognized percentage change applied as of

July 1. The interim prospective per diem rate will be adjusted, if necessary, through results of a field audit of base year costs for the Direct Labor and Pass Through Items Cost Center.

### **Temporary Rates for Newly Constructed Facilities**

Newly constructed facilities will be allowed a temporary reimbursement rate after supplying the Chief Long Term Care Reimbursement sufficient cost data or other information necessary to fairly calculate interim per diem rates, subject to the maximum cost center ceilings. Upon completion of a six-month period from time of licensure, the facility will complete and file with the Chief Long Term Reimbursement for Nursing Facilities, a cost report form BM-64 covering the first six months of operations. Based upon the analysis of the report and Principles of Reimbursement in effect at the time of licensure, a new rate may be calculated, subject to the maximum cost center ceilings as established, and made retroactive to the date of licensure

Proforma cost data and BM-64 cost reports covering the first six month of operations submitted by newly constructed facilities will not be considered in the array of cost information for the determination of the maximum allowable base in each of the cost center category.

### **APPEALS PROCESS**

**NOTE:** This section on appeals process will be amended effective October 1, 2005 to include a provision that it shall apply to demonstrated errors made during the rate

determination process.

Any provider who is not in agreement, after being provided an exit audit conference or rate appeal conference, with the final rate of reimbursement assigned as the result of the audit for their base year, or with the application of the Principles of Reimbursement for the applicable calendar years, may within 15 days from the date of notification of audit results or rate assignment file a written request for a review conference to be conducted by the Associate Director, Division of Health Care, Quality, Financing and Purchasing, or other designee assigned by the Director of the Department of Human Services. The written request must identify the remaining contested audit adjustment(s) or rate assignment issue(s). The Associate Director or designee shall schedule a review conference within 15 days of receipt of said request. As a result of the review conference, the Associate Director or designee may modify the audit adjustments and the rate of reimbursement. The Associate Director or designee shall provide the provider with a written decision within 30 days from the date of the review conference.

Appeals beyond the Associate Director or the designee appointed by the Director of the Department of Human Service's will be in accordance with the Administrative Procedures Act. The provider must file a written request for an Administrative Procedures Act hearing no later than 15 days of the decision noted in the paragraph above.

#### **APPEAL REQUESTS FOR RATE INCREMENTS**

**NOTE:** This section on appeal requests with the exception of item f. is hereby repealed in its entirety effective October 1, 2005.